

Message Text

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ACTION ARA-14

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SUBJ: PERU: RECENT ECONOMIC DEVELOPMENTS

REF: A. LIMA 0048, B. 77 LIMA 11247

1. SUMMARY: IN WAKE OF PRESIDENT MORALES BERMUDEZ' DECEMBER 30 REMARKS (REF A) GOP-CONTROLLED PRESS HAS ECHOED PRESIDENT'S SHARP CRITICISM OF U.S. BANKS AND IMF. MEANWHILE FINANCE MINISTER TOOK MORE BALANCED VIEW IN APPARENT ATTEMPT TO ALLAY FEARS RAISED IN FINANCIAL CIRCLES THAT GOP MAY NOT FOLLOW IMF AUSTERITY PATH. DURING PERIOD DECEMBER 30-JANUARY 6 SOL HAS REMAINED STABLE AT S/ .130 TO THE DOLLAR IN FOREIGN EXCHANGE OPERATIONS (REF B). END SUMMARY.

2. A PLETHORA OF EDITORIALS AND ARTICLES PUBLISHED IN LIMA'S GOVERNMENT-CONTROLLED DAILY PRESS FOLLOWING PRESIDENT MORALES BERMUDEZ' REMARKS ON DECEMBER 30 (REF A) HAVE PLAYED VARIATIONS ON THE PRESIDENT'S THEME OF UNDUE HARSHNESS OF U.S. BANKS' TERMS TOWARD PERU, CRITICISM OF THE IMF, AND HINTS OF POSSIBLE DARK POLITICAL MOTIVES BEHIND THESE ATTITUDES. LA PRENSA ON JANUARY 6 PUBLISHED REPRINT OF MID-NOVEMBER 1977 LE MONDE ARTICLE "PERU, IMF'S
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PAGE 02 LIMA 00156 062320Z

VIETNAM?" WITH EDITOR'S NOTE CRITICAL OF U.S. BANKS (POUCHING COPY ARA/AND).

3. JANUARY 4 REMARKS OF FINANCE MINISTER SAENZ TOOK A SOMEWHAT DIFFERENT TACK. SAENZ, APPARENTLY TRYING TO CALM CONCERN AROUSED BY THE PRESIDENT'S STATEMENTS, MADE A FAVORABLE REFERENCE TO THE IMF STANDBY ARRANGEMENT,

NOTING THAT ITS SIGNIFICANCE WAS NOT SO MUCH IN THE AMOUNT OF THE LOAN BUT IN THE FACT THAT THE AGREEMENT "OPENS THE POSSIBILITY THAT THE INTERNATIONAL BANKING COMMUNITY WILL ADOPT A MORE POSITIVE ATTITUDE TOWARD PERU". HE DESCRIBED IN SOMEWHAT VAGUE TERMS THE ECONOMIC MEASURES WHICH THE GOVERNMENT INTENDED TO CARRY OUT, STRESSING THAT SOCIAL AND POLITICAL FACTORS HAD TO BE TAKEN INTO CONSIDERATION AS WELL AS ECONOMIC ONES. WITH RESPECT TO THE EXCHANGE RATE, SAENZ SUGGESTED THAT PERHAPS SUPPLY AND DEMAND IN THE MARKET WERE REACHING AN EQUILIBRIUM POINT OF AROUND S/ .130, AS THE PRESIDENT HAD SUGGESTED IN HIS DECEMBER 30 REMARKS, THOUGH SAENZ STRESSED THAT "THIS IS A MATTER WHICH CANNOT BE DEFINED IN ANY ABSOLUTE WAY".

4. MEANWHILE, FOREIGN EXCHANGE OPERATIONS DURING THE PERIOD DECEMBER 30-JANUARY 6 HAVE SHOWN LITTLE CHANGE IN THE VALUE OF THE SOL, WHICH HAS HOVERED AT OR VERY NEAR S/ .130 TO THE DOLLAR IN THE OFFICIAL BUYING RATE OF THE SUPERINTENDENCY OF BANKING AND IN THE MARKET RATE AS WELL. AS SUGGESTED REFTEL B THE LACK OF ANY SIGNIFICANT MOVEMENT FOR THE OFFICIAL RATE AVERAGE AND FOR COMMERCIAL BANK QUOTATIONS INDICATE AN ABSENCE OF COMPETITIVE PRESSURES PERHAPS OCCASIONED BY AN INFORMAL UNDERSTANDING AMONG COMMERCIAL BANKERS.

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PAGE 03 LIMA 00156 062320Z

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